

## With Asset Quality Metrics Better Than their Peers, a Reduction In Non-Performing Assets and Earnings Per Share Growth over 70% in 2011 – The Trend is Positive for QCR Holdings, Inc.

**Financial  
Regional – Midwest Banks  
(QCRH-NASDAQ)**

**QCR Holdings, Inc.**

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**Todd A. Gipple  
Executive Vice President,  
Chief Operating Officer and  
Chief Financial Officer**

**BIO:**

Todd A. Gipple is a Certified Public Accountant and began his career with KPMG Peat Marwick in 1985. In 1991, McGladrey & Pullen acquired the Quad Cities practice of KPMG. Mr. Gipple was named Tax Partner with McGladrey & Pullen in 1994 and served as the Tax Partner-in-Charge of the firm's Mississippi Valley Practice and as one of five Regional Tax Coordinators for the national firm. He specialized in Financial Institutions

Taxation and Mergers and Acquisitions throughout his 14-year career in Public Accounting. He joined QCR Holdings in January of 2000, and currently serves as Executive Vice President, Chief Operating Officer and Chief Financial Officer. He also serves as a Director of Quad City Bank and Trust, Cedar Rapids Bank and Trust, and Rockford Bank and Trust. Mr. Gipple previously served on the board of directors and the Executive Committee of the Davenport Chamber of Commerce, United Way of the Quad Cities and the Scott County Beautification Foundation, and was a member of the original Governing Body for the Quad City's "Success by 6" Initiative. Mr. Gipple currently serves on the Audit Committees for the United Way of the Quad Cities and for the Community Foundation of the Great River Bend. He is also Chairman of the board of directors of SAL Family and Community Services, and is a member of the American Institute of CPAs and the Iowa Society of CPAs.

**Company Profile:**

QCR Holdings, Inc., headquartered in Moline, Illinois, is a relationship-driven, multi-bank holding company, which serves the Quad City, Cedar Rapids, and Rockford communities through its wholly owned subsidiary banks. Quad City Bank & Trust Company, which is based in Bettendorf, Iowa, and commenced operations in 1994, Cedar Rapids Bank & Trust Company, which is based in Cedar Rapids, Iowa, and commenced operations in 2001, and Rockford Bank & Trust Company, which is based in Rockford, Illinois, and commenced operations in 2005, provide full-

service commercial and consumer banking and trust and asset management services. Quad City Bank & Trust Company also engages in commercial leasing through its 80% owned subsidiary, m2 Lease Funds, LLC, based in Milwaukee, Wisconsin.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFO Magazine**

**CEOCFO:** Mr. Gipple, what is the overall philosophy and goal for QCR Holdings?

**Mr. Gipple:** We are a relationship-based organization in terms of our business and banking model. We have three bank charters located in the Quad Cities, Cedar Rapids, Iowa and Rockford Illinois as well as a leasing company, m2 Lease Funds LLC, headquartered in Brookfield, Wisconsin. All of our entities really focus on relationship banking. We define that as developing very deep relationships with our clients, understanding their needs and providing all the resources that they need to be successful. We take a very long-term view with respect to our clients. We do not chase what I would call transactions, rather we foster and develop relationships with our clients. As a result, we have been able to come through this recent credit crisis in the banking industry in fine form. Our non-performing assets, while elevated, only got to about half of our peer group and have been coming down. We never posted an operating loss during this recession, so the relationship banking model has served us well in terms of operating results and very well in terms of growth. All of our banks were de novo formed with management teams that

we had lifted out of other organizations in the markets and we have really focused on organic growth through client acquisitions.

**CEOCFO:** Are there particular target customers for QCR?

**Mr. Gipple:** Yes. About 85% of our loan business is commercially focused. We tend to focus on small and medium sized businesses and their owners. We do have a fair amount of what would be called pure C&I (commercial and industrial) lending to those small and medium sized businesses, as well as some of the commercial real estate they own and occupy. We do some additional commercial real estate lending for owner-developers and the like. We were able to avoid a lot of the raw land development and some of the other development loans that got several of our peer banks in trouble and instead we focused more on small and medium sized business. We believe we bring very good solutions to small and medium sized business clients, whether it be credit facilities, leasing, treasury management, deposits or other services like Wealth Management for owners and their key employees.

**CEOCFO:** Would you give us an example of what one of your clients has experienced from QCR that they are unlikely to get elsewhere?

**Mr. Gipple:** One of the best examples I would use is one that is actually highlighted in our annual report has just been released here in March. The Cedar Rapids, Iowa marketplace experienced a very devastating flood in June of 2008. We were able to help many existing clients through that tough time because of our long-standing relationship with those clients. We recognized that there were going to be some organizations that might not survive that kind of event without additional resources and assistance, so we worked quickly to help those that we could and guide them through that process. One of the examples that is highlighted in our annual report is actually a testimonial from a company that was very close to not surviving the flood. At the time

of the flood, this company was a client of one of the large national banks that operate in the Cedar Rapids market. However, they were not getting the kind of assistance and help that they needed out of that banking organization. Therefore, they turned to us. We were able to help them through that difficult time, and they are now performing more strongly than ever.

**CEOCFO:** In general, what does QCR know about developing relationships that maybe other banks do not? What is the secret to your success?

**Mr. Gipple:** Much of it has to do with our people. What I mean by that is our organization and our banks tend to be made up of people that in many cases have left some of the large national banking groups. These were large banks where service levels and developing relationships had taken a

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back seat to other more important things from those organization's perspective, such as reducing headcount and using 1-800 numbers. They were not really focusing on the personal relationship aspects of banking. So, much of our success has to do, candidly, with the fact that our banks are for the most part staffed with people that really wanted to get back to that style of banking, having deeper relationships and a lot of contact with clients. Our people wanted to get away from what some banking models have evolved into - which is very low levels of client contact and service and a lot of automation and 1-800 numbers. We frequently say that "Our People are our Greatest Assets", and they are!

It really boils down to the culture we have had since the company was founded in the fall of 1993. The culture is that our job is to provide what we call "raving fan service". This is where we provide the kind of service

that you might connect to a Nordstrom's or very high-end retail shop, where we take great interest in "over delivering" to our clients in terms of answers and responsiveness. We make sure that many people in our banks know our clients, so they feel like they are banking with Quad City Bank & Trust or Cedar Rapids Bank & Trust or Rockford Bank & Trust. It is just not one individual that knows them and can help them. Anytime they come into the bank in person or call the bank, we are going to know them and we are going to provide them that "raving fan service". It is in our culture that we really put relationships ahead of most anything else in making sure that our clients are very happy with the level of service that they receive from us.

**CEOCFO:** Are there products and services that you are not currently offering that you would like to add to the mix at QCR?

**Mr. Gipple:** I do not think we have any holes in our service offerings. We are looking at mobile banking right now as the one product that we are not yet offering. We have been a bit more deliberate there on purpose,

given some of the risk associated with mobile banking. We are really going to be prudent there to make sure that the technology risk is well controlled, so our clients do not experience fraudulent activities once we do get into mobile banking. However, our service offerings, without exception, are very broad and very deep. From a small business perspective, we have all the treasury management tools for their deposit accounts. We have anything they will need from us in terms of credit facilities. We have a leasing arm in m2 Lease Funds, when leasing is a better option. We have a very strong wealth management practice at all three of our banks, for the owners of those companies and other high wealth individuals in the community. We offer everything that they would need from a wealth management perspective. Then of course, in retail checking, we have some very sophisticated retail banking products that serve our clients well. Therefore, with

the exception of mobile banking, our platform is very robust.

**CEO CFO:** Do many of your customers take advantage of the full range of services?

**Mr. Gipple:** Yes, many of them do. Of course, we would like to have all of them do that and that is really our goal, which is to expand wallet share with our clients. We want to make sure that we have great client relationships that last for many years and evolve as the client's needs change. In addition to working with our business clients in this manner, we work with the owners, executives and other individuals to make sure that we are providing the retail banking products that those individuals need, as well as some wealth management support to them in terms of managing their money. We do have financial planning available, and we have a family office product, where we will take care of some of the day-to-day financial needs of our clients. We really enjoy providing multiple types of services to our clients. We are having quite a bit of success with that, so we would like to increase that penetration over time.

**CEO CFO:** What do QCR customers need most reassurance about regarding the general economy, and how do you help them navigate through the uncertainty?

**Mr. Gipple:** That is a key differentiator for us in that our bankers really operate on a very consultative basis, where they really strive to understand the business as well as the owner does. As an example, when we are sitting down with that business owner here in March and we are reviewing 12/31/11 financial results, we are plugged in to what the strengths, weaknesses, threats and opportunities are for that client. When we do this, we can help them navigate through some of their challenges. We talk to them about ways we can help them get through those issues or challenges. Candidly, what is happening lately is that we are helping our clients take advantage of opportunities. We are seeing some sources of strength in the commercial and industrial area in all three of our markets. The small businesses and medium sized businesses are doing fairly well right now,

so we are trying to help them take advantage of some of the opportunities that are starting to sprout back up. At the heart of it is just having a keen understanding of the client, so when they are taking a look at their business, we can be a consultant to them and help them do that.

**CEO CFO:** Would you tell us about the record earnings for the year for QCR Holdings?

**Mr. Gipple:** We are very pleased that our earnings improved significantly in 2011 over 2010. We had our best quarter ever in Q4. We are starting to see some significant progress in terms of our run rate on earnings. If you review the last couple of years, our provision expense has leveled off and is trending down. That is helping quite a bit. We were also able to expand margin in Q4, which is very tough to do in this banking environment, with the very low level of rates and very flat yield curve, but we are able to expand margin. We are doing a nice job growing fee income and providing some of the additional services to our clients that they need. Overall, things are going well from an earnings perspective. Having said all that, we still believe we have a ways to go yet to operate at better performance levels in terms of our efficiency ratio, return on assets, and return on equity. Therefore, while we are very pleased with the record earnings last year, we know we have a ways to go to be considered a high performer. However, we really like the position we are in now and the trend in our run rate on earnings. As a result, we are looking forward to having a great 2012 as well.

**CEO CFO:** Do you see new branches or geographic areas for QCR?

**Mr. Gipple:** We agree with most of the prognosticators that there is going to be a new round of M&A resulting from the last couple of years of struggles in the banking industry. Right now we do not have any M&A targets on our radar screen per se. We are making sure that we are aware of opportunities, but right now we feel that we have tremendous opportunity to grow loans, deposits, and earnings in our existing three markets. Therefore, we do not feel like we are compelled

to do a transaction. We think we have a huge upside making more with what we have today, but we will keep an eye on opportunities as they present themselves. We do not really feel like we need any additional locations or branches in our existing footprint. For the most part, we have the facilities that we need to be successful.

**CEO CFO:** Why the decision to operate under local names rather than one overall name for the branches?

**Mr. Gipple:** We get that question quite often. Many people know and understand that we would likely operate with a lower expense structure if we had one charter for our three banks, instead of three separate charters and three separate names. However, it is a strategy that has really been at the heart of our growth historically. What you have to understand is that Quad City Bank & Trust is about 18 years old and a little over \$1 billion dollars in total assets. All of that growth is organic in the Quad City market, never acquired. Cedar Rapids Bank & Trust is ten years old and close to \$600 million in assets and again just organic growth in that community. Rockford is \$300 million or so in assets. We attribute much of that growth and market share acquisition to the fact that we are local, not just in name, but in management decisions and board decisions. Therefore, we think that has had a tremendous amount to do with our great success in growing client relationships. At the end of the day, it makes a huge difference to that small business customer, knowing that when they go to lunch with the president of one of our charters, and when he makes a commitment to them, that it is a commitment that is going to be upheld and acted on. The local board of directors, when they make decisions for that community and that charter and those clients; those decisions are made locally. We think it has a tremendous amount to do with our success, it benefits our clients and the communities that we serve, and the benefits far outweigh any cost savings we would gain by consolidating our charters.

**CEO CFO:** Do you do much investor outreach?

**Mr. Gipple:** Actually, we are planning to do more of that. We have been doing more in the way of IR this past year. We hosted local investor relations functions in the Quad Cities, Cedar Rapids and Rockford. In 2012 and subsequent years we intend to be doing that in some of the larger Midwest markets, likely Des Moines, Chicago, Milwaukee, St. Louis and maybe even beyond that, depending on the success we are seeing in the Midwest. We believe that our story is not well enough known considering we are a \$2 billion banking organization in the Midwest. We believe our stock is significantly undervalued, certainly compared to our tangible book value. We are trading at around 60% of our tangible book value. We have a lot of company in that regard in our peer group and other Midwestern community banks. However, we feel like if we tell our story a little

more loudly and as clearly as we can, we will generate additional interest in our name. That is not only good for existing shareholders, but good for our future shareholders, and we certainly believe we provide a compelling opportunity for them.

**CEO CFO:** Final thoughts, why should investors pay attention to QCR Holdings today?

**Mr. Gipple:** Our current stock price is around 60% of our tangible book value. We believe that we have gotten our arms fully around our asset quality issues. Our asset quality metrics are much better than our peers. Our charge-off experience during this credit crisis is a little less than half of our peer group, and it is pretty clear that we have been able to reduce our non-performing assets over the last couple of years, so we are providing a

good trend there. We are also providing a very good trend in terms of earnings, obviously referring back to our Q4 last year and last year's results. Our earnings per share growth was over 70% last year. Again, the trend is positive there as well. For the last twelve months earnings, our price to earnings multiple is in the single digits. I believe that if someone takes the time to understand our company and our business model, reviews our recent performance, and then looks at our pricing from a perspective of price to earnings and price to book value, I think that QCR Holdings provides a very compelling story.

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